

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Huron</u>	County Wayne
Audit Date December 31, 2005	Opinion Date April 7, 2006	Date Accountant Report Submitted To State: June 30, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Hwy.	City Southfield	State MI	ZIP 48076
Accountant Signature 			

Charter Township of Huron

**Financial Report
with Supplemental Information
December 31, 2005**

Charter Township of Huron

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Independent Auditor's Report

To the Township Board
Charter Township of Huron, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Huron as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Huron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Huron as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparisons (identified in the table of contents as required supplemental information) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board
Charter Township of Huron, Michigan

The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Huron, Michigan's basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2006 on our consideration of the Charter Township of Huron, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

April 7, 2006

Charter Township of Huron

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Huron's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2005. Generally, amounts used in this discussion are approximations or rounded figures. The amounts in the basic financial statements and related notes are rounded to the nearest dollar. Please read this discussion in conjunction with the Township's basic financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2005:

The balance accumulated in the Capital Improvement Fund account has allowed for two major projects to begin in 2005 regarding much-needed improvements to Township facilities:

- The lease and renovating of a building for the police department
- The construction of a new township hall without incurring any new debt

At the end of 2004, \$990,000 had accumulated for capital improvements and another \$1,269,440 was added through various resources during 2005, creating a total budget of \$2,260,000. A total of \$680,000 expended in 2005 for the police station renovations had it less than \$100,000 from completion. About \$500,000 was expended in 2005 to begin construction of the new township hall with about \$1,100,000 to see it completed by June 2006.

Using this Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements, including the statement of net assets and the statement of activities, provide information about the activities of the Charter Township of Huron as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements, by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Huron

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and the prior year:

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Assets						
Current assets	\$ 9,977,628	\$ 9,652,792	\$ 5,149,502	\$ 3,580,430	\$ 15,127,130	\$ 13,233,222
Noncurrent assets	3,212,475	4,319,046	33,386,758	35,498,771	36,599,233	39,817,817
Total assets	13,190,103	13,971,838	38,536,260	39,079,201	51,726,363	53,051,039
Liabilities						
Current liabilities	904,275	4,502,147	815,725	617,237	1,720,000	5,119,384
Long-term liabilities	4,504,210	1,154,780	6,053,720	5,743,445	10,557,930	6,898,225
Total liabilities	5,408,485	5,656,927	6,869,445	6,360,682	12,277,930	12,017,609
Net Assets						
Invested in capital assets -						
Net of related debt	2,034,389	3,223,811	24,044,060	25,888,270	26,078,449	29,112,081
Restricted	3,293,583	2,346,648	3,901,766	5,554,528	7,195,349	7,901,176
Unrestricted	2,453,646	2,744,452	3,720,989	1,275,721	6,174,635	4,020,173
Total net assets	<u>\$ 7,781,618</u>	<u>\$ 8,314,911</u>	<u>\$ 31,666,815</u>	<u>\$ 32,718,519</u>	<u>\$ 39,448,433</u>	<u>\$ 41,033,430</u>

The following table shows the changes of the net assets during the current and prior year:

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenue						
Program revenue:						
Charges for services	\$ 3,101,648	\$ 2,186,862	\$ 2,004,374	\$ 3,310,330	\$ 5,106,022	\$ 5,497,192
Operating grants and contributions	238,715	446,250	-	-	238,715	446,250
Capital grants and contributions	-	250,000	2,285,682	793,350	2,285,682	1,043,350
General revenue:						
Property taxes	2,919,584	3,162,630	-	202,633	2,919,584	3,365,263
State-shared revenue	1,061,417	1,061,914	-	-	1,061,417	1,061,914
Unrestricted investment earnings	77,789	242,524	73,824	195,210	151,613	437,734
Franchise fees	100,307	109,551	-	-	100,307	109,551
Transfers and other revenue	76,923	293,696	(30,732)	(213,308)	46,191	80,388
Total revenue	7,576,383	7,753,427	4,333,148	4,288,215	11,909,531	12,041,642

Charter Township of Huron

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Programs Expenses						
General government	\$ 1,310,025	\$ 1,629,794	\$ -	\$ -	\$ 1,310,025	\$ 1,629,794
Public safety	4,402,824	4,715,168	-	-	4,402,824	4,715,168
Public works	681,641	658,076	-	-	681,641	658,076
Community and economic development	143,074	130,110	-	-	143,074	130,110
Culture and recreation	20,426	28,145	-	-	20,426	28,145
Interest on long-term debt	61,692	58,841	-	-	61,692	58,841
Water and sewer	-	-	3,013,144	3,236,511	3,013,144	3,236,511
Total expenses	6,619,682	7,220,134	3,013,144	3,236,511	9,632,826	10,456,645
Change in Net Assets	\$ 956,701	\$ 533,293	\$ 1,320,004	\$ 1,051,704	\$ 2,276,705	\$ 1,584,997

The Township's total governmental revenues remained fairly consistent and decreased by approximately \$73,000, or less than 1 percent.

Expenditures increased by \$600,000, or 9 percent during the year. The increases were primarily related to property rental costs for temporary office facilities, new office furniture, beginning construction costs for a new township hall, and police station renovations.

Business-type Activities

Huron Township's business-type activities consist of providing water and sewer service. We provide water to residents from the Detroit Water System. Sewage treatment is provided through the South Huron Valley Utility Authority sewage treatment plant.

The Township's Funds

The Township's major funds for 2005 are the General, Fire, Police, and Capital Improvement Funds. The funds' financial statements provide detail information about the most significant funds, not the Township as a whole. The funds help manage money for specific purposes and show accountability for certain activities, such as special property tax millages.

The General Fund provides for most of the Township's governmental services including the administrative offices of the supervisor, clerk, and treasurer. Senior and recreation programs are also included. Administrative operations, including facilities management, amounted to \$1,365,602 for 2005. Public safety expenditures included in the General Fund include building code enforcement and police and fire dispatch services. These expenditures totaled \$644,000 and \$347,000, respectively.

The Fire Fund records the operations of the fire department. Revenues included \$799,100 of property taxes and \$204,300 in rescue services, fire run charges, and other. Expenditures and transfers totaled \$1,119,847. The excess of expenditures over revenue was covered by the Fire Fund's beginning fund balance.

Charter Township of Huron

Management's Discussion and Analysis (Continued)

The Police Fund records the operations of the police department. Revenues included \$1,846,000 of property taxes, \$90,000 in federal and state grants, \$165,000 from community programs, and \$310,000 of court fines and fees. Expenditures and transfers totaled \$2,627,000. Expenditures exceeded revenues and fund balance during the year, resulting in a fund deficit.

Both the Police and Fire Funds are partially supported by special millages. In 2005, the fire millage was sufficient, along with other program income and transfers from other funds, to sustain the fire department. The Police Fund ended the year with a deficit.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was to increase the estimated building permit revenue by \$90,000. This is the result of the 16 percent population growth since the 2000 census that has increased residential building activity. However, actual permit revenue was \$31,000 less than anticipated in the amended budget. Management will continue to closely monitor this situation as economic conditions change.

The majority of the General Fund departments stayed below budget, resulting in total expenditures \$288,000 below budget. However, actual revenues fell short of expenses for the year by \$130,500, decreasing the General Fund's fund balance from \$1,998,800 to \$1,868,200 at December 31, 2005.

Capital Asset and Debt Administration

At the end of 2005, the Township had \$36,263,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. The water and sewer assets account for approximately 90 percent of the capital assets with only 10 percent invested in governmental assets. In addition, the Township has invested in roads within the Township. These assets are not reported in the Township's financial statements because they are the property of the Wayne County Road Commission, which also has the responsibility to maintain them.

The Township's debt obligations at the end of 2005 are approximately \$7,634,000. Of that amount, \$6,056,000 is related to the water and sewer system for improvements made in past years. Debt related to the purchase of fire department equipment totals \$877,000. Accrued compensated absences total \$483,000. The remaining \$218,000 resulted from road improvements and the purchase of police equipment.

Economic Factors and Next Year's Budgets and Rates

Next year's budget will warrant close monitoring with plans being made to monitor carefully the police department budget and act if necessary to eliminate the fund deficit and adhere to the five-year forecast.

Charter Township of Huron

Management's Discussion and Analysis (Continued)

We anticipate that the water rates will increase in 2006. The process of evaluating the existing rates and expected costs of maintaining and operating the water and sewer system is underway and being reviewed by the Township board. The results of this evaluation will be presented to the public in mid-2006.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Huron

Statement of Net Assets December 31, 2005

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments (Note 3)	\$ 5,707,348	\$ 2,598,770	\$ 8,306,118	\$ 128,842
Receivables - Net (Note 5)	3,541,540	673,841	4,215,381	-
Prepaid costs and other assets	62,998	213,289	276,287	-
Due from primary government	-	-	-	33,962
Inventories	-	92,079	92,079	-
Internal balances	(2,451)	2,451	-	-
Due from other governmental units	343,357	-	343,357	29,744
Restricted assets (Note 1)	-	3,554,528	3,554,528	-
Capital assets - Net (Note 6):				
Depreciated	1,996,563	30,758,122	32,754,685	1,321,014
Nondepreciated	2,322,483	1,186,121	3,508,604	538,937
Total assets	13,971,838	39,079,201	53,051,039	2,052,499
Liabilities				
Accounts payable	302,293	107,895	410,188	144,000
Accrued and other liabilities	148,116	132,438	280,554	-
Due to component units	33,962	-	33,962	-
Long-term debt (Note 7):				
Due within one year	359,211	376,904	736,115	107,838
Due in more than one year	1,154,780	5,743,445	6,898,225	348,012
Deferred revenue (Note 5)	3,658,565	-	3,658,565	-
Total liabilities	5,656,927	6,360,682	12,017,609	599,850
Net Assets				
Invested in capital assets - Net of related debt	3,223,811	25,888,270	29,112,081	1,404,101
Restricted:				
Construction code activities (Note 2)	492,213	-	492,213	-
Solid waste	152,248	-	152,248	-
Public safety	1,675,331	-	1,675,331	-
Drug law enforcement	26,856	-	26,856	-
Debt service	-	954,651	954,651	-
Replacement reserve	-	2,599,877	2,599,877	-
Working capital reserve	-	2,000,000	2,000,000	-
Unrestricted	2,744,452	1,275,721	4,020,173	48,548
Total net assets	<u>\$ 8,314,911</u>	<u>\$ 32,718,519</u>	<u>\$ 41,033,430</u>	<u>\$ 1,452,649</u>

Charter Township of Huron

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
General government	\$ 1,629,794	\$ 815,793	\$ 211,612	\$ 250,000
Public safety	4,715,168	1,224,046	234,638	-
Public works	658,076	140,000	-	-
Community and economic development	130,110	-	-	-
Cultural and recreation	28,145	7,023	-	-
Interest on long-term debt	58,841	-	-	-
Total governmental activities	7,220,134	2,186,862	446,250	250,000
Business-type activities - Water and sewer	3,236,511	3,310,330	-	793,350
Total primary government	<u>\$ 10,456,645</u>	<u>\$ 5,497,192</u>	<u>\$ 446,250</u>	<u>\$ 1,043,350</u>
Component units	<u>\$ 356,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Interest				
Transfers				
Cable franchise fees				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2005

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (352,389)	\$ -	\$ (352,389)	\$ -
(3,256,484)	-	(3,256,484)	-
(518,076)	-	(518,076)	-
(130,110)	-	(130,110)	-
(21,122)	-	(21,122)	-
(58,841)	-	(58,841)	-
(4,337,022)	-	(4,337,022)	-
-	867,169	867,169	-
(4,337,022)	867,169	(3,469,853)	-
-	-	-	(356,116)
3,162,630	202,633	3,365,263	104,999
1,061,914	-	1,061,914	-
242,524	195,210	437,734	86,938
213,308	(213,308)	-	-
109,551	-	109,551	-
80,388	-	80,388	-
4,870,315	184,535	5,054,850	191,937
533,293	1,051,704	1,584,997	(164,179)
7,781,618	31,666,815	39,448,433	1,616,828
\$ 8,314,911	\$ 32,718,519	\$ 41,033,430	\$ 1,452,649

Charter Township of Huron

Governmental Funds Balance Sheet December 31, 2005

	General Fund	Fire Fund	Police Fund	Capital Improvement Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 1,665,938	\$ 1,795,719	\$ 280,367	\$ 1,190,834	\$ 774,490	\$ 5,707,348
Receivables - Net (Note 5)	559,195	861,257	1,818,084	-	303,004	3,541,540
Prepaid costs and other assets	24,552	-	38,446	-	-	62,998
Due from other funds (Note 4)	52,281	-	4,748	-	-	57,029
Due from other governmental units	300,145	307	42,905	-	-	343,357
Total assets	<u>\$ 2,602,111</u>	<u>\$ 2,657,283</u>	<u>\$ 2,184,550</u>	<u>\$ 1,190,834</u>	<u>\$ 1,077,494</u>	<u>\$ 9,712,272</u>
Liabilities						
Accounts payable	\$ 67,976	\$ 6,520	\$ 50,476	\$ 110,967	\$ 66,354	\$ 302,293
Accrued and other liabilities	44,210	45,336	58,570	-	-	148,116
Due to other funds (Note 4)	7,199	573	-	-	51,708	59,480
Due to component units	3,736	8,830	21,396	-	-	33,962
Deferred revenue (Note 5)	610,714	920,693	2,127,158	-	283,421	3,941,986
Total liabilities	733,835	981,952	2,257,600	110,967	401,483	4,485,837
Fund Balances (Deficit)						
Reserved for:						
Construction Code activities (Note 2)	492,213	-	-	-	-	492,213
Solid waste	152,248	-	-	-	-	152,248
Unreserved:						
Designated for subsequent year's budget	-	300,000	-	-	480,066	780,066
Undesignated, reported in:						
Special Revenue Funds	-	1,375,331	(73,050)	-	195,945	1,498,226
Capital Projects Fund	-	-	-	1,079,867	-	1,079,867
General Fund	1,223,815	-	-	-	-	1,223,815
Total fund balances (deficit)	<u>1,868,276</u>	<u>1,675,331</u>	<u>(73,050)</u>	<u>1,079,867</u>	<u>676,011</u>	<u>5,226,435</u>
Total liabilities and fund balances (deficit)	<u>\$ 2,602,111</u>	<u>\$ 2,657,283</u>	<u>\$ 2,184,550</u>	<u>\$ 1,190,834</u>	<u>\$ 1,077,494</u>	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						4,319,046
Deferred revenue is reported in the funds for special assessment receivables to be collected over several years						283,421
Long-term liabilities are not due and payable in the current period and are not reported in the funds						(1,513,991)
Net assets of governmental activities						<u>\$ 8,314,911</u>

Charter Township of Huron

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2005

	General Fund	Fire Fund	Police Fund	Capital Improvement Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 516,530	\$ 799,100	\$ 1,846,250	\$ -	\$ -	\$ 3,161,880
Licenses and permits	749,246	-	-	-	-	749,246
Federal sources	180,228	72,478	-	-	-	252,706
State sources	1,093,298	-	90,079	-	2,867	1,186,244
Local sources	-	-	-	-	47,374	47,374
Charges for services	876,450	143,861	164,818	-	-	1,185,129
Fines and forfeitures	-	-	-	-	13,621	13,621
Court fines and fees	-	-	308,936	-	-	308,936
Interest and other	195,264	60,438	44,921	37,439	88,525	426,587
Total revenues	3,611,016	1,075,877	2,455,004	37,439	152,387	7,331,723
Expenditures						
General government	1,424,848	-	-	-	-	1,424,848
Public safety	1,070,129	923,133	2,490,621	-	85,297	4,569,180
Public works	636,493	-	-	-	-	636,493
Health and welfare	104,841	-	-	-	-	104,841
Recreation and cultural	31,321	-	-	-	-	31,321
Insurance and bonds	42,072	-	-	-	-	42,072
Planning, development, and other	70,024	-	-	-	-	70,024
Capital outlay	-	77,172	74,400	1,180,921	17,186	1,349,679
Debt service	-	-	-	-	162,301	162,301
Total expenditures	3,379,728	1,000,305	2,565,021	1,180,921	264,784	8,390,759
Excess of Revenues Over (Under) Expenditures	231,288	75,572	(110,017)	(1,143,482)	(112,397)	(1,059,036)
Other Financing Sources (Uses)						
Transfers in (Note 4)	70,241	-	-	982,000	227,913	1,280,154
Transfers out (Note 4)	(432,101)	(119,542)	(82,962)	-	(432,241)	(1,066,846)
Transfers in from component units	-	-	-	250,000	-	250,000
Proceeds from long-term debt issue	-	-	20,610	-	-	20,610
Total other financing sources (uses)	(361,860)	(119,542)	(62,352)	1,232,000	(204,328)	483,918
Net Change in Fund Balances	(130,572)	(43,970)	(172,369)	88,518	(316,725)	(575,118)
Fund Balances - Beginning of year	1,998,848	1,719,301	99,319	991,349	992,736	5,801,553
Fund Balances (Deficit) - End of year	<u>\$ 1,868,276</u>	<u>\$ 1,675,331</u>	<u>\$ (73,050)</u>	<u>\$ 1,079,867</u>	<u>\$ 676,011</u>	<u>\$ 5,226,435</u>

Charter Township of Huron

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (575,118)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	1,125,121
Loss on disposal of capital assets that were not fully depreciated	(18,548)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(41,604)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	103,461
Proceeds from issuance of long-term debt are not reported as financing sources on the statement of activities	(20,610)
Increases in accumulated employee sick and vacation pay are recorded when earned in the statement of activities	<u>(39,409)</u>

Change in Net Assets of Governmental Activities \$ 533,293

Charter Township of Huron

Proprietary Funds Statement of Net Assets December 31, 2005

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and investments (Note 3)	\$ 2,598,770
Receivables - Net (Note 5)	673,841
Due from other funds (Note 4)	2,451
Inventories	92,079
Prepaid costs and other assets	213,289
Total current assets	3,580,430
Noncurrent assets:	
Restricted assets	3,554,528
Capital assets	31,944,243
Total noncurrent assets	35,498,771
Total assets	39,079,201
Liabilities	
Current liabilities:	
Accounts payable	107,895
Accrued and other liabilities	132,438
Current portion of long-term debt	376,904
Total current liabilities	617,237
Long-term debt - Net of current portion	5,743,445
Total liabilities	6,360,682
Net Assets	
Investment in capital assets - Net of related debt	25,888,270
Restricted:	
Debt service	954,651
Replacement reserve	2,599,877
Working capital reserve	2,000,000
Unrestricted	1,275,721
Total net assets	\$ 32,718,519

Charter Township of Huron

Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended December 31, 2005

	Enterprise Fund - Water and Sewer
Operating Revenues	
Water sales	\$ 1,563,566
Sewage disposal	970,575
Penalties	51,571
Other	23,729
Total operating revenues	2,609,441
Operating Expenses	
Cost of water	743,175
Cost of sewage disposal	485,059
Operation and maintenance	1,040,250
General and administrative	274,707
Depreciation	565,861
Total operating expenses	3,109,052
Operating Loss	(499,611)
Nonoperating Revenue (Expense)	
Property taxes	202,633
Interest income	195,210
Interest expense	(127,459)
Connection fees	283,879
Water reserve revenue	140,480
Sewer reserve revenue	276,530
Total nonoperating revenue	971,273
Net Income - Before other financing uses and capital contributions	471,662
Other Financing Uses - Operating transfers out	(213,308)
Capital Contributions	793,350
Change in Net Assets	1,051,704
Net Assets - Beginning of year	31,666,815
Net Assets - End of year	\$ 32,718,519

Charter Township of Huron

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2005

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,536,946
Payments to suppliers	(1,974,695)
Payments to employees	(551,784)
Internal activity - Payments to/from other funds	<u>(18,451)</u>
Net cash used in operating activities	(7,984)
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(1,112,041)
Transfer to other funds	(200,000)
Water and sewer debt reserve collections	417,010
Capital contributions	283,879
Property tax collections	25,958
Principal and interest payments on long-term debt	<u>(632,139)</u>
Net cash used in noncapital financing activities	(1,217,333)
Cash Flows from Noncapital and Related Financing Activities -	
Transfer to other funds	(13,308)
Cash Flows from Investing Activities - Interest on cash and investments	<u>195,210</u>
Net Decrease in Cash and Cash Equivalents	(1,043,415)
Cash and Cash Equivalents - Beginning of year	<u>7,196,713</u>
Cash and Cash Equivalents - End of year	<u>\$ 6,153,298</u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 2,598,770
Restricted assets	<u>3,554,528</u>
Total	<u>\$ 6,153,298</u>

Charter Township of Huron

Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2005

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Operating loss	\$ (499,611)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	565,861
Changes in assets and liabilities:	
Receivables	(72,496)
Prepays and other assets	20,796
Due from other funds	(451)
Accounts payable	(72,098)
Accrued and other liabilities	68,015
Due to other funds	(18,000)
Net cash used in operating activities	<u>\$ (7,984)</u>

Noncash Investing, Capital, and Financing Activities - During the current year, developers contributed \$793,350 of water and sewer lines to the Township.

Charter Township of Huron

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2005

	Agency Funds		
	Current Tax	Trust and Agency	Total
Assets - Cash and cash equivalents	<u>\$ 699,702</u>	<u>\$ 720,402</u>	<u>\$ 1,420,104</u>
Liabilities			
Accrued and other liabilities	\$ -	\$ 697,254	\$ 697,254
Tax collections distributable	9,940	6,902	16,842
Due to other governmental units	<u>689,762</u>	<u>16,246</u>	<u>706,008</u>
Total liabilities	<u>\$ 699,702</u>	<u>\$ 720,402</u>	<u>\$ 1,420,104</u>

Charter Township of Huron

Component Units Statement of Net Assets December 31, 2005

	Local Development Finance Authority	Local Development Finance Authority - Pinnacle	Total
Assets			
Cash and investments (Note 3)	\$ 128,842	\$ -	\$ 128,842
Due from primary government	33,962	-	33,962
Due from other governmental units	29,744	-	29,744
Due from LDFA - Pinnacle	26,596	-	26,596
Capital assets	1,859,951	-	1,859,951
Total assets	2,079,095	-	2,079,095
Liabilities			
Accounts payable	144,000	-	144,000
Due to LDFA	-	26,596	26,596
Long-term debt	455,850	-	455,850
Total liabilities	599,850	26,596	626,446
Net Assets			
Invested in capital assets - Net of related debt	1,404,101	-	1,404,101
Unrestricted	75,144	(26,596)	48,548

Charter Township of Huron

Component Units Statement of Activities Year Ended December 31, 2005

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
			Local Development Finance Authority - Pinnacle	Development Finance Authority - Pinnacle	Total
	Expenses	Operating Grants/ Contributions			
Local Development Finance Authority - Operations	\$ 356,116	\$ -	\$ (356,116)	\$ -	\$ (356,116)
Local Development Finance Authority - Pinnacle - Operations	-	-	-	-	-
Total governmental activities	<u>\$ 356,116</u>	<u>\$ -</u>	(356,116)	-	(356,116)
General revenues:					
Property taxes			104,999	-	104,999
Interest and other			<u>86,938</u>	<u>-</u>	<u>86,938</u>
Total general revenues			<u>191,937</u>	<u>-</u>	<u>191,937</u>
Change in Net Assets			(164,179)	-	(164,179)
Net Assets (Deficit) - Beginning of year			<u>1,643,424</u>	<u>(26,596)</u>	<u>1,616,828</u>
Net Assets (Deficit) - End of year			<u>\$ 1,479,245</u>	<u>\$ (26,596)</u>	<u>\$ 1,452,649</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Huron (the "Charter Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Huron:

Reporting Entity

The Charter Township of Huron is governed by an elected seven-member board of trustees. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Aggregate discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Charter Township (see discussion below for description). Separate financial statements are not issued.

Discretely Presented Component Units

The Local Development Finance Authority ("LDFA") and the Local Development Finance Authority - Pinnacle ("LDFA - Pinnacle") component units are reported within the component unit column in the financial statements.

The Authorities were created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Charter Township so as to provide needed services and facilities of such enterprises to the residents of the Charter Township.

The LDFA's governing body consists of 11 individuals. The school district board appoints two members. The Wayne County Community College board and the County of Wayne each appoint one member, and the Charter Township board appoints seven members. The LDFA - Pinnacle's governing body consists of 11 individuals. The Charter Township board appoints seven members. The Wayne County Community College board and the Wayne County board of commissioners each appoint one member, and the Township of Romulus board appoints two members.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Charter Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - The Fire Fund is used to account for the proceeds of earmarked revenue or financing activities provided for the services and activities of the Fire Department.

Police Fund - The Police Fund is used to account for the proceeds of earmarked revenue or financing activities provided for the services and activities of the Police Department.

Capital Improvement Fund - The Capital Improvement Fund is used by the Charter Township to record the activity of various Charter Township improvement projects, including the new police station and the new Charter Township administrative building.

The Charter Township reports the following major proprietary fund:

Enterprise Fund - Water and Sewer - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the government reports the following fund types:

Agency Funds - Agency Funds are used to account for assets held by the Charter Township as an agent for individuals, organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Charter Township has not elected to apply private sector standards issued after December 1, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Charter Township's water and sewer function and various other functions of the Charter Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Charter Township's 2004 tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended December 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2004 taxable valuation of the Charter Township totaled \$417.7 million (a portion of which is abated and a portion of which is captured by the LDFA), on which taxes levied consisted of 0.7850 mills for operating purposes, 4.5796 mills for police protection, and 1.9822 mills for fire protection. After LDFA capture, this resulted in approximately \$322,000 for operating, \$799,000 for fire operations, and \$1,846,000 for police operations. The Charter Township also received approximately \$175,000 in property tax administration fees. These amounts are recognized in the respective General, Police, and Fire Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets, or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories in the Enterprise Fund are valued at cost, on a first-in, first-out basis, which approximates market value. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets - In 1979, the Charter Township board adopted an ordinance that provides for a water and sewer reserve account that is funded by water and sewer tap fees.

These fees are reserved for major system repairs, extensions, or expansions of the system, matching monies for grants and debt retirement after a reserve of \$500,000 is established.

Restricted assets at December 31, 2005 consist of cash and investments in the amount of \$2,599,877 for future repairs, expansions, and extensions. Net assets have been restricted for the entire amount.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

In addition, \$954,651 of cash and investments are included in restricted assets to be used for the debt service related to the South Huron Valley Utility Authority bonds and the Wayne County contracts. Net assets have been restricted for the entire amount.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	50 years
Utility system:	
Water and sewage distribution systems	60-80 years
Connections	60-80 years
Machinery and equipment	10 years
Office furnishings	5-10 years
Vehicles	5-10 years

Compensated Absences (Vacation and Sick Leave) - It is the Charter Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Charter Township oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year's activity, as well as the cumulative surplus since January 1, 2000, is as follows:

Surplus at January 1, 2005		\$	918,755
Building permit revenue			617,597
Related expenses:			
Direct costs	\$	882,918	
Estimated indirect costs		<u>161,221</u>	<u>1,044,139</u>
Net current year activity			<u>(426,542)</u>
Surplus at December 31, 2005		\$	<u>492,213</u>

Deficit Elimination Plan

The Road Improvement Special Revenue Fund has a deficit of \$5,494. The deficit results from road construction that is being financed by special assessments. Future special assessments revenue will eliminate the deficit.

The Police Fund has a deficit of \$73,050. The deficit will be eliminated through future police millage tax collections.

The LDFA - Pinnacle Fund (component unit) has a deficit of \$26,596 at December 31, 2005. As the LDFA - Pinnacle Fund captures taxes in the future, those proceeds will be used to eliminate the deficit.

Charter Township of Huron

**Notes to Financial Statements
December 31, 2005**

Note 3 - Deposits and Investments

Deposits

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Charter Township has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, repurchase agreements, bankers' acceptance of United States banks, commercial paper rated within the three highest classifications established by not less than two standard rating services and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Charter Township's deposits and investment policies are in accordance with statutory authority.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

The Charter Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Charter Township's deposits may not be returned to it. The Charter Township's policy for custodial credit risk includes provisions that require financial dealers and institutions to provide the Charter Township with audited financial statements, a certification that they have read the Charter Township's investment policy, and proof of licensure. The policy further states that the treasurer is required to perform an annual review of the financial condition and registrations of all institutions used as a depository for Charter Township funds. At year end, the Charter Township had \$7,114,383 of bank deposits (certificates of deposit, investment, checking, and savings accounts) that were uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the component units had \$28,842 of bank deposits that were uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Charter Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day or less maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. agency securities	\$ 3,298,121	237 days
Commercial paper	1,935,398	73 days

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top three ratings issued by nationally recognized statistical rating organizations. The Charter Township's investment policy does not further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
\$ 1,039,708	AI	S&P
895,691	AI +	S&P

Concentration of Credit Risk

The Charter Township places no limit on the amount the Charter Township may invest in any one issuer. More than 5 percent of the Charter Township's investments are in Danske Corporation commercial paper; these investments are 5.03 percent of the Charter Township's total investments.

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Road Improvement Fund	\$ 51,708
General Fund	Fire Fund	573
Total General Fund		52,281
Special Revenue Funds - Police	General Fund	4,748
Subtotal interfund receivables of governmental funds and activities		57,029
Enterprise Fund - Water and Sewer	General Fund	2,451
Total interfund receivables		<u>\$ 59,480</u>

Interfund balances represent routine and temporary cash flow assistance resulting from normal interfund activity until the amounts can be reimbursed between the funds.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

The composition of operating transfers is as follows:

Fund Providing Resources	Fund Receiving Resources		Amount
General Fund	Police Debt Service Fund	(5)	\$ 6,201
	Capital Improvement Fund	(2)	400,000
	Retirement Health Care Fund	(4)	25,900
	Total General Fund		432,101
911 Service Fund	General Fund	(1)	50,241
Fire Fund	General Fund	(1)	20,000
	Fire Debt Service Fund	(5)	99,542
	Total Fire Fund		119,542
Police Fund	Police Debt Service Fund	(5)	36,873
	Retirement Health Care Fund	(4)	46,089
	Total Police Fund		82,962
Drug Law Enforcement	Capital Improvement Fund	(3)	382,000
Enterprise - Water and Sewer Fund	Retirement Health Care Fund	(4)	13,308
	Capital Improvement Fund	(6)	200,000
	Total Water and Sewer Fund		213,308
	Total operating transfers		<u>\$ 1,280,154</u>

- (1) Transfer for general operations
- (2) Transfer for police operation expenditures
- (3) Transfer for police department capital improvements
- (4) Transfer for future retirement health care costs
- (5) Transfer for retirement of long-term debt
- (6) Transfer for construction improvements

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 5 - Receivables and Deferred Revenue

Receivables as of year end for the Charter Township's individual major funds and the Road Improvement nonmajor fund are as follows:

	Governmental Activities/Funds				Business-type Activities	
	Road Improvement Nonmajor				Enterprise	
	General Fund	Fire Fund	Police Fund	Governmental Funds	Subtotal	Total
Receivables:						
Taxes	\$ 559,195	\$ 780,634	\$ 1,790,548	\$ -	\$ 3,130,377	\$ 176,675 \$ 3,307,052
Customer	-	80,623	-	-	80,623	480,380 561,003
Special assessments	-	-	-	303,004	303,004	- 303,004
Other	-	-	27,536	-	27,536	16,786 44,322
Net receivables	<u>\$ 559,195</u>	<u>\$ 861,257</u>	<u>\$ 1,818,084</u>	<u>\$ 303,004</u>	<u>\$ 3,541,540</u>	<u>\$ 673,841 \$ 4,215,381</u>

The Charter Township considers all receivables to be collectible and has not recorded an allowance for doubtful accounts.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue on the fund-based statements are as follows:

	Unavailable	Unearned	Total
Property taxes for 2006	\$ -	\$ 3,641,778	\$ 3,641,778
Special assessments	<u>283,421</u>	<u>16,787</u>	<u>300,208</u>
Total	<u>\$ 283,421</u>	<u>\$ 3,658,565</u>	<u>\$ 3,941,986</u>

In addition, the government-wide statements reflect deferred revenue for any amounts which are not earned as of the end of the fiscal year.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 6 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities was as follows:

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,183,517	\$ -	\$ -	\$ 1,183,517
Construction in progress	-	1,138,966	-	1,138,966
Subtotal	1,183,517	1,138,966	-	2,322,483
Capital assets being depreciated:				
Buildings and improvements	798,694	-	-	798,694
Vehicles	2,478,247	130,571	(60,801)	2,548,017
Office furnishings	118,026	81,791	-	199,817
Machinery and equipment	148,308	-	-	148,308
Subtotal	3,543,275	212,362	(60,801)	3,694,836
Accumulated depreciation:				
Buildings and improvements	397,890	18,610	-	416,500
Vehicles	991,891	178,433	(42,253)	1,128,071
Office furnishings	106,033	10,663	-	116,696
Machinery and equipment	18,503	18,503	-	37,006
Subtotal	1,514,317	226,209	(42,253)	1,698,273
Net capital assets being depreciated	2,028,958	(13,847)	(18,548)	1,996,563
Net capital assets	\$ 3,212,475	\$ 1,125,119	\$ (18,548)	\$ 4,319,046

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 6 - Capital Assets (Continued)

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Business-type Activities				
Capital assets not being depreciated -				
Construction in progress	\$ 2,319,834	\$ 1,093,470	\$ (2,227,183)	\$ 1,186,121
Capital assets being depreciated:				
Utility system:				
Water and sewage distribution systems	36,768,059	3,020,533	-	39,788,592
Connections	624,096	-	-	624,096
Buildings and building improvements	81,006	-	-	81,006
Vehicles	158,302	18,571	-	176,873
Machinery and equipment	362,626	-	-	362,626
Office furnishings	11,740	-	-	11,740
Subtotal	38,005,829	3,039,104	-	41,044,933
Accumulated depreciation:				
Utility system:				
Water and sewer distribution systems	9,240,028	520,274	-	9,760,302
Connections	133,868	9,349	-	143,217
Buildings and building improvements	56,910	2,472	-	59,382
Vehicles	85,537	11,362	-	96,899
Machinery and equipment	192,867	22,404	-	215,271
Office furnishings	11,740	-	-	11,740
Subtotal	9,720,950	565,861	-	10,286,811
Net capital assets being depreciated	28,284,879	2,473,243	-	30,758,122
Net capital assets	<u>\$ 30,604,713</u>	<u>\$ 3,566,713</u>	<u>\$ (2,227,183)</u>	<u>\$ 31,944,243</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 31,972
Public safety	172,068
Public works	12,074
Community and economic development	<u>10,095</u>

Total governmental activities	<u>\$ 226,209</u>
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Business-type activities - Water and sewer	<u>\$ 565,861</u>
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Construction Commitments - The Charter Township has an active construction project at year end for water main replacement. At year end, the Charter Township's outstanding commitment with contractors was approximately as follows:

Huron River Drive watermain replacement as well as facilities construction	\$ 47,000
Township Hall construction	763,000
Police station construction	<u>50,000</u>
Total outstanding commitments	<u>\$ 860,000</u>

Note 7 - Long-term Debt

The Charter Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Remaining Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Revenue bonds:						
State revenue-sharing bonds - Series 1998A:						
Original issue: \$255,000	4.35%-					
Maturing through 2018	5.2%	\$ 195,000	\$ -	\$ (10,000)	\$ 185,000	\$ 10,000
Fire equipment bonds - Series 1998A:						
Original issue: \$920,000	4.35%-					
Maturing through 2018	5.2%	725,000	-	(35,000)	690,000	40,000
Installment purchase agreements:						
Fire equipment:						
Original issue: \$295,000						
Maturing through 2008	5.23%	205,400	-	(18,181)	187,219	19,168
Police cars:						
Original issue: \$42,966						
Maturing through 2005	5.85%	14,307	-	(14,307)	-	-
Police cars:						
Original issue: \$59,049						
Maturing through 2006	5.10%	38,379	-	(18,712)	19,667	19,667
Police car:						
Original issue: \$20,601						
Maturing through 2007	5.80%	-	20,610	(7,261)	13,349	6,487
Subtotal		1,178,086	20,610	(103,461)	1,095,235	95,322
Compensated absences		379,347	39,409	-	418,756	263,889
Total governmental activities		\$ 1,557,433	\$ 60,019	\$ (103,461)	\$ 1,513,991	\$ 359,211

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 7 - Long-term Debt (Continued)

	Remaining Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds - South Huron Valley						
Utility Authority Bonds:						
1998 Series Bonds:						
Original issue: \$1,188,704						
Maturing through 2011	2.00%	\$ 677,856	\$ -	\$ (90,872)	\$ 586,984	\$ 92,714
2004 Sewer System Plant Expansion Bonds:						
Original issue: \$2,227,183						
Maturing through 2011	2.00%	2,227,183	-	-	2,227,183	-
Sewer System Plant Expansion Bonds:						
Original issue: \$3,995,710						
Maturing through 2020	2.25%	3,334,387	-	(173,399)	3,160,988	179,405
Wayne County Contracts:						
Huron System Bonds - Series I:						
Original issue: \$3,600,000						
Maturing through 2005	5.70%	200,000	-	(200,000)	-	-
Flat Rock System Bonds:						
Original issue: \$1,350,000						
Maturing through 2007	5.70%	121,227	-	(40,409)	80,818	40,409
Subtotal		6,560,653	-	(504,680)	6,055,973	312,528
Compensated absences		35,606	28,770	-	64,376	64,376
Total business-type activities		<u>\$ 6,596,259</u>	<u>\$ 28,770</u>	<u>\$ (504,680)</u>	<u>\$ 6,120,349</u>	<u>\$ 376,904</u>
Component Units - Local Development						
Finance Authority						
Installment purchase agreement:						
Original issue: \$570,000						
Maturing through 2009	3.69%	<u>\$ 570,000</u>	<u>\$ -</u>	<u>\$ (114,150)</u>	<u>\$ 455,850</u>	<u>\$ 107,838</u>

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to service all debt outstanding (excluding compensated absences) including both principal and interest, as of December 31, 2005 are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 95,322	\$ 53,831	\$ 149,153	\$ 312,528	\$ 130,422	\$ 442,950	\$ 107,838	\$ 16,840	\$ 124,678
2007	78,424	50,138	128,562	409,323	123,435	532,758	111,822	12,857	124,679
2008	201,489	46,364	247,853	376,468	114,303	490,771	115,953	8,726	124,679
2009	55,000	36,530	91,530	384,478	106,145	490,623	120,237	4,442	124,679
2010	60,000	33,945	93,945	393,240	97,814	491,054	-	-	-
2011-2015	350,000	119,203	469,203	1,663,760	374,773	2,038,533	-	-	-
2016-2020	255,000	27,040	282,040	1,741,096	192,921	1,934,017	-	-	-
2021-2025	-	-	-	635,303	47,963	683,266	-	-	-
2026	-	-	-	139,777	1,437	141,214	-	-	-
Total	\$ 1,095,235	\$ 367,051	\$ 1,462,286	\$ 6,055,973	\$ 1,189,213	\$ 7,245,186	\$ 455,850	\$ 42,865	\$ 498,715

Total interest incurred related to governmental activities for the year approximated \$59,000. Total interest incurred related to business-type activities for the year approximated \$127,000.

Note 8 - Operating Lease

During the prior year, the Charter Township entered into an operating lease for temporary office space. The lease is noncancelable for the first 18 months, which expires in July 2006. The lease calls for monthly payments of \$8,000 for 36 months unless cancelled anytime after 18 months. Rent expense for the year ended December 31, 2005 totaled \$88,000.

Effective April 1, 2005, the Charter Township began leasing a building and land to be used as the Charter Township police station from the Local Development Finance Authority ("LDFA"). The lease expires March 31, 2015, but may be extended annually thereafter. Rent expense for the building and land during the first year of the lease is \$52,000 with annual raises of 3 percent thereafter. Rent expense for the year ended December 31, 2005 totaled \$39,000. The Charter Township may cancel the lease at any time, subject to a penalty ranging from \$100,000 to \$300,000, during the first 120 months of the lease.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 8 - Operating Lease (Continued)

Annual lease payments to expiration are as follows:

Years Ending June 30	Amount
2006	\$ 101,170
2007	54,765
2008	56,408
2009	58,100
2010	59,843
2011-2015	<u>274,835</u>
Total	<u>\$ 605,121</u>

Note 9 - Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township has purchased commercial insurance for medical claims and participates in the Michigan Municipal Risk Management Authority (the "Authority") state risk pool for general and property claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program and the Authority risk pool program operate as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. For the Authority risk pool, a portion of the excess insurance coverage is underwritten by the Authority itself.

Note 10 - Postemployment Benefits

The Charter Township contributes certain amounts for health care benefits for all full-time employees upon retirement, in accordance with labor contracts. Currently, there are eight retirees and the related expense was \$85,298 in 2005. The Charter Township's policy requires the Charter Township to pay 100 percent of health care benefits for eligible retirees. Expenditures for postemployment health care benefits will be recognized as the insurance premiums become due.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 10 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 11 - Defined Benefit Pension Plans

Plan Description - The Charter Township participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time police officers and dispatchers of the Charter Township. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiating with the Charter Township's competitive bargaining units and requires contributions from all employees that vary from year to year depending on negotiated benefits and funding levels. Under that bargaining agreement, the Charter Township is required to contribute 16.56 percent of gross wages for police staff, 10.35 percent for fire staff, and 18.36 percent of gross wages for all other eligible staff.

Annual Pension Costs - For year ended December 31, 2005, the Charter Township's annual pension cost for the plan was equal to the Charter Township's actual contribution of \$483,280. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.9 percent per year, and (c) 2.5 percent per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 11 - Defined Benefit Pension Plans (Continued)

Three-year trend information as of December 31, 2005 is as follows:

	2003	2004	2005
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 431,136	\$ 432,028	\$ 483,280
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
	2002	2003	2004
Actuarial value of assets	\$ 3,472,346	\$ 4,160,876	\$ 4,854,255
Actuarial accrued liability (AAL)			
(entry age)	\$ 7,328,384	\$ 7,964,174	\$ 8,953,670
Unfunded AAL (UAAL)	\$ 3,856,038	\$ 3,803,298	\$ 4,099,415
Funded ratio	47.4%	52.2%	54.2%
Covered payroll	\$ 2,066,648	\$ 2,209,803	\$ 2,799,825
UAAL as a percentage of covered payroll	186.6%	172.1%	146.4%

Note 12 - Defined Contribution Pension Plan

The Charter Township provides pension benefits to all elected officials and certain other employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by state statute, the Charter Township contributes 10 percent of employees' gross earnings and employees contribute 5 percent of earnings. The Charter Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately.

In accordance with these requirements, the Charter Township contributed \$19,160 and employees contributed \$9,580.

Note 13 - Joint Ventures

The Charter Township is a member of the 34th District Court (the "Court"), which provides services to the member communities. The Court receives its operating revenue mainly from fines and fees, in addition to annual funding provided by member communities. The Charter Township received net revenue of approximately \$313,000 from the Court, after the Court deducted operating costs and amounts required to be distributed to other agencies.

Charter Township of Huron

Notes to Financial Statements December 31, 2005

Note 13 - Joint Ventures (Continued)

Complete financial statements for the Court can be obtained from the administrative offices at 11131 South Wayne Road, Romulus, Michigan 48174. The Charter Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Charter Township is a member of the South Huron Valley Utility Authority (the "Utility Authority"). The Utility Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the village of South Rockwood. The Utility Authority was founded in order to acquire and operate a sewage and wastewater treatment system, formally operated by Wayne County. During the year, the Charter Township contributed \$456,289 toward the operation of the system. In addition, debt payments of \$380,272, including principal and interest, were made to the Utility Authority. Complete financial statements for the Utility Authority can be obtained from the administrative offices at 46425 Tyler Road, Van Buren Twp., Michigan 48111. The Charter Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 14 - Contingency

In 2004, the Charter Township offices were condemned due to unhealthy conditions. The Charter Township offices were relocated and the former building remains closed. The future of the building is unknown at this time and the Charter Township is unaware of any contingent liabilities associated with cleanup and demolition of the building or potential health concerns with current or former employees. The building has not been included in the capital asset figure as it has been deemed to have a zero net book value.

Required Supplemental Information

Charter Township of Huron

Required Supplemental Information December 31, 2005

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds except that operating transfers and the proceeds of long-term financing have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."

The annual budget is prepared by the Charter Township supervisor and adopted by the Charter Township board; subsequent amendments are approved by the Charter Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2005 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the Charter Township board) for the General Fund, Fire Fund, and Police Fund, is presented as required supplementary information. The Charter Township did not adopt a budget for the Road Improvement Fund. Information comparing other Special Revenue Fund activity to the respective budgets can be obtained at the township hall.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Huron incurred expenditures that were significantly in excess of the amounts budgeted, as follows:

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
General Fund - Charter Township hall and grounds	\$ 198,400	\$ 210,500	\$ 367,451	\$ (156,951)
Special Revenue Funds:				
Fire Fund - Personnel wages	447,000	513,100	542,599	(29,499)
Police Fund:				
Salaries and wages	1,457,250	1,457,250	1,521,224	(63,974)
Fringe benefits	589,000	566,625	580,328	(13,703)
Professional and contractual services	68,000	78,510	89,098	(10,588)
Repairs, maintenance, and rentals	4,500	12,580	53,125	(40,545)

Charter Township of Huron

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenue				
Current property taxes	\$ 295,000	\$ 320,000	\$ 321,904	\$ 1,904
Penalties and interest on taxes	10,000	19,000	19,479	479
Property tax administration fees	153,000	175,500	175,147	(353)
Trailer fees	9,000	9,000	8,924	(76)
Cable franchise fees	100,000	109,500	109,551	51
Building licenses and permits	559,000	649,000	617,633	(31,367)
Other licenses and permits	2,000	2,000	2,750	750
Animal licenses	8,500	8,500	10,388	1,888
Federal grants	-	-	180,228	180,228
State grants	7,000	7,000	31,384	24,384
State revenue sharing	1,035,000	1,057,000	1,061,914	4,914
Zoning and planning commission fees	12,000	32,430	60,250	27,820
LDFA administration fees	20,000	20,000	20,000	-
Water department administration fees	140,000	140,000	140,000	-
Rubbish and recycling collection charges	530,000	555,000	568,246	13,246
Sales and service charges	5,000	12,500	35,938	23,438
Penalties and customer accounts	9,000	9,000	14,532	5,532
Interest income	20,000	20,000	104,609	84,609
Rent	24,000	28,500	32,967	4,467
Other	-	-	95,172	95,172
Transfer from other funds	77,000	102,000	70,241	(31,759)
Total revenue	3,015,500	3,275,930	3,681,257	405,327
Expenditures				
Charter Township board	59,300	59,300	53,345	5,955
Charter Township supervisor office	80,000	80,730	73,122	7,608
Charter Township supervisor PTAF	42,500	63,000	60,556	2,444
Elections	31,000	40,575	38,351	2,224
Accounting department	151,500	111,500	92,570	18,930
Auditing fees	30,000	45,000	36,740	8,260
Attorney fees	30,000	30,000	22,443	7,557
Budget department	46,000	46,000	35,762	10,238
Charter Township clerk	144,500	144,500	134,931	9,569
General office	177,100	177,100	154,982	22,118
Retirement Fund administration	4,000	4,000	63	3,937
Board of Review	6,500	6,500	5,326	1,174
Charter Township treasurer's office	231,450	212,350	184,203	28,147
Charter Township treasurer's PTAF	87,200	87,200	71,175	16,025
Data processing and computer development	33,300	40,300	43,581	(3,281)
Charter Township hall and grounds	198,400	210,500	367,451	(156,951)
Cemetery maintenance	3,000	3,000	948	2,052
Annual employee recognition	3,000	3,000	3,110	(110)
Unallocated	32,300	54,300	46,189	8,111
Communications	329,050	341,250	347,225	(5,975)

Charter Township of Huron

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Expenditures (Continued)				
Building department	\$ 559,000	\$ 659,000	\$ 644,143	\$ 14,857
Ordinance enforcement	74,650	74,650	78,761	(4,111)
Planning commission	57,100	57,100	63,958	(6,858)
Zoning board of appeals	13,500	13,500	3,998	9,502
Other planning/zoning	41,800	31,800	2,068	29,732
Cable communication commission	22,000	22,000	9,741	12,259
Animal control	42,400	42,400	36,884	5,516
Street lighting and beautification projects	28,000	40,500	39,082	1,418
Recycling	10,800	10,800	8,726	2,074
Rubbish collection	502,500	522,800	523,081	(281)
Dust control	10,500	10,500	-	10,500
Drains	60,000	60,000	55,863	4,137
Agency on aging	63,000	69,715	67,957	1,758
Recreation commission	22,000	23,910	27,627	(3,717)
Historical commission	6,000	6,000	3,694	2,306
Insurance and bonds	49,200	49,200	42,072	7,128
Transfers to other funds	646,200	646,200	432,101	214,099
Total expenditures	3,928,750	4,100,180	3,811,829	288,351
Net Change in Fund Balance	(913,250)	(824,250)	(130,572)	693,678
Fund Balance - Beginning of year	1,998,848	1,998,848	1,998,848	-
Fund Balance - End of year	<u>\$ 1,085,598</u>	<u>\$ 1,174,598</u>	<u>\$ 1,868,276</u>	<u>\$ 693,678</u>

Charter Township of Huron

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund - Fire Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenue				
Property taxes	\$ 770,000	\$ 770,000	\$ 799,100	\$ 29,100
Federal sources	-	68,105	72,478	4,373
Rescue service charges	100,000	188,715	134,376	(54,339)
Fire runs and protection	-	-	7,789	7,789
Interest income	10,000	10,000	58,146	48,146
Other revenues	-	-	3,988	3,988
Total revenue	880,000	1,036,820	1,075,877	39,057
Expenditures				
Personnel wages	447,000	513,100	542,599	(29,499)
Personnel fringe benefits	144,420	150,420	136,392	14,028
Supplies	64,000	65,000	54,301	10,699
Professional and contractual services	28,500	28,500	12,087	16,413
Communication	11,000	11,000	9,371	1,629
Transportation	52,000	52,000	43,536	8,464
Community programs and publications	5,000	5,000	2,934	2,066
Insurance and bonds	34,800	34,800	34,559	241
Public utilities	25,000	30,500	33,524	(3,024)
Repairs, maintenance, and rentals	20,000	20,000	16,915	3,085
Education, training, dues, and miscellaneous expenses	58,000	61,300	36,915	24,385
Capital outlay	65,000	139,920	77,172	62,748
Transfers to other funds	119,550	119,550	119,542	8
Total expenditures	1,074,270	1,231,090	1,119,847	111,243
Net Change in Fund Balance	(194,270)	(194,270)	(43,970)	150,300
Fund Balance - Beginning of year	1,719,301	1,719,301	1,719,301	-
Fund Balance - End of year	<u>\$ 1,525,031</u>	<u>\$ 1,525,031</u>	<u>\$ 1,675,331</u>	<u>\$ 150,300</u>

Charter Township of Huron

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund - Police Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenue				
Property taxes	\$ 1,820,000	\$ 1,845,513	\$ 1,846,250	\$ 737
State grants - DRANO	8,400	23,000	22,351	(649)
State grants - ATPA	48,000	58,000	58,298	298
State grants - Liquor control	4,000	4,389	4,485	96
Community policing program	77,600	77,600	77,604	4
School liaison program	29,900	50,900	60,997	10,097
Fines and forfeits 34th District Court and OUIL	308,000	314,000	307,986	(6,014)
Michigan Justice Training Act 302	5,000	5,000	4,945	(55)
Other revenues, sales, interest, and miscellaneous	11,000	30,873	51,480	20,607
Donations - DARE and GREAT	12,000	19,700	20,608	908
Proceeds from long-term debt issue	-	20,610	20,610	-
Total revenue	2,323,900	2,449,585	2,475,614	26,029
Expenditures				
Salaries and wages	1,457,250	1,457,250	1,521,224	(63,974)
Fringe benefits	589,000	566,625	580,328	(13,703)
Supplies	50,000	64,650	71,957	(7,307)
Professional and contractual services	68,000	78,510	89,098	(10,588)
Communication	23,500	23,500	21,658	1,842
Transportation	33,000	42,300	39,501	2,799
Community programs and publications	17,000	34,100	33,558	542
Insurance and bonds	47,600	47,600	44,175	3,425
Public utilities	6,000	16,000	20,680	(4,680)
Repairs, maintenance, and rentals	4,500	12,580	53,125	(40,545)
Education, training, dues, and miscellaneous expenses	20,000	20,000	15,317	4,683
Capital outlay	10,000	80,800	74,400	6,400
Transfers to other funds	88,800	88,800	82,962	5,838
Total expenditures	2,414,650	2,532,715	2,647,983	(115,268)
Net Change in Fund Balance	(90,750)	(83,130)	(172,369)	(89,239)
Fund Balance - Beginning of year	99,319	99,319	99,319	-
Fund Balance (Deficit) - End of year	\$ 8,569	\$ 16,189	\$ (73,050)	\$ (89,239)

Other Supplemental Information

Charter Township of Huron

	Special Revenue Funds					
	Compensated Absences	Cable P.E.G.	Drug Law Enforcement	911 Service	Retirement Health Care	Road Improvement Fund
Assets						
Cash and cash equivalents	\$ 68,354	\$ 106,229	\$ 43,523	\$ -	\$ 480,066	\$ 76,318
Receivables - Net	-	-	-	-	-	303,004
Total assets	<u>\$ 68,354</u>	<u>\$ 106,229</u>	<u>\$ 43,523</u>	<u>\$ -</u>	<u>\$ 480,066</u>	<u>\$ 379,322</u>
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 16,667	\$ -	\$ -	\$ 49,687
Due to other funds	-	-	-	-	-	51,708
Deferred revenue	-	-	-	-	-	283,421
Total liabilities	-	-	16,667	-	-	384,816
Fund Balances (Deficit)						
Designated for subsequent year's budget	-	-	-	-	480,066	-
Undesignated	68,354	106,229	26,856	-	-	(5,494)
Total fund balance (deficit)	<u>68,354</u>	<u>106,229</u>	<u>26,856</u>	<u>-</u>	<u>480,066</u>	<u>(5,494)</u>
Total liabilities and fund balances (deficit)	<u>\$ 68,354</u>	<u>\$ 106,229</u>	<u>\$ 43,523</u>	<u>\$ -</u>	<u>\$ 480,066</u>	<u>\$ 379,322</u>

**Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2005**

Debt Service Funds

<u>Police Debt</u>	<u>Fire Debt</u>	<u>Total</u>
\$ -	\$ -	\$ 774,490
-	-	303,004
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,077,494</u>
\$ -	\$ -	\$ 66,354
-	-	51,708
<u>-</u>	<u>-</u>	<u>283,421</u>
-	-	401,483
-	-	480,066
<u>-</u>	<u>-</u>	<u>195,945</u>
-	-	676,011
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,077,494</u>

Charter Township of Huron

	Special Revenue Funds					
	Compensated Absences	Cable P.E.G.	Drug Law Enforcement	911 Service	Retirement Health Care	Road Improvement Fund
Revenues						
State sources	\$ -	\$ -	\$ -	\$ 2,867	\$ -	\$ -
Local sources	-	-	-	47,374	-	-
Fines and forfeitures	-	-	13,621	-	-	-
Interest and other	1,848	24,111	6,488	-	12,718	43,360
Total revenues	1,848	24,111	20,109	50,241	12,718	43,360
Expenditures						
Public safety	-	-	-	-	85,297	-
Capital outlay	-	518	16,668	-	-	-
Debt service	-	-	-	-	-	19,685
Total expenditures	-	518	16,668	-	85,297	19,685
Excess of Revenues Over (Under) Expenditures	1,848	23,593	3,441	50,241	(72,579)	23,675
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	85,297	-
Transfers out	-	-	(382,000)	(50,241)	-	-
Total other financing sources (uses)	-	-	(382,000)	(50,241)	85,297	-
Net Change in Fund Balances	1,848	23,593	(378,559)	-	12,718	23,675
Fund Balances (Deficit) -						
Beginning of year	66,506	82,636	405,415	-	467,348	(29,169)
Fund Balances (Deficit) -						
End of year	<u>\$ 68,354</u>	<u>\$ 106,229</u>	<u>\$ 26,856</u>	<u>\$ -</u>	<u>\$ 480,066</u>	<u>\$ (5,494)</u>

**Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Year Ended December 31, 2005**

Debt Service Funds

<u>Police Debt</u>	<u>Fire Debt</u>	<u>Total</u>
\$ -	\$ -	\$ 2,867
-	-	47,374
-	-	13,621
-	-	88,525
-	-	152,387
-	-	85,297
-	-	17,186
43,074	99,542	162,301
43,074	99,542	264,784
(43,074)	(99,542)	(112,397)
43,074	99,542	227,913
-	-	(432,241)
43,074	99,542	(204,328)
-	-	(316,725)
-	-	992,736
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,011</u>

Charter Township of Huron

**Federal Awards
Supplemental Information
December 31, 2005**

Charter Township of Huron

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Independent Auditor's Report

To the Township Board
Charter Township of Huron

We have audited the basic financial statements of the Charter Township of Huron for the year ended December 31, 2005 and have issued our report thereon dated April 7, 2006. Those basic financial statements are the responsibility of the management of the Charter Township of Huron. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Charter Township of Huron taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

April 7, 2006



A worldwide association of independent accounting firms

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Township Board
Charter Township of Huron

We have audited the financial statements of the Charter Township of Huron as of and for the year ended December 31, 2005 and have issued our report thereon dated April 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-01 and 05-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 05-01 to be a material weakness.

To the Township Board
Charter Township of Huron, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moreau, PLLC

April 7, 2006

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Township Board
Charter Township of Huron

Compliance

We have audited the compliance of the Charter Township of Huron with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2005. The major federal program of the Charter Township of Huron is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Township's management. Our responsibility is to express an opinion on the Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township's compliance with those requirements.

In our opinion, the Charter Township of Huron complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005

To the Township Board
Charter Township of Huron

Internal Control Over Compliance

The management of the Charter Township of Huron is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the township board, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

April 7, 2006

Charter Township of Huron

Schedule of Expenditures of Federal Awards Year Ended December 31, 2005

Federal Agency/Pass-through Agency Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Passed through Wayne County - Community Development Block Grant:				
Program year 2002	14.218	N/A	\$ 125,706	\$ 13,706
Program year 2003	14.218	N/A	103,200	65,460
Program year 2004	14.218	N/A	125,000	81,238
Program year 2005	14.218	N/A	111,000	<u>6,400</u>
Total U.S. Department of Housing and Urban Development				166,804
Federal Emergency Management Agency - Department of Homeland Security:				
Assistance to Firefighters Grant	97.044	EMW-2004-FG-12289	68,105	68,105
Passed through the State of Michigan - State Homeland Security Grant Program II Training Grant	97.004	N/A	13,775	<u>4,373</u>
Total Federal Emergency Management Agency				72,478
Federal Help America Vote Act of 2002 - Passed through the State of Michigan	39.011	HAVA	64,264	64,264
Federal Equitable Sharing Program	16.unknown	N/A	381,203	<u>381,203</u>
Total federal funding				<u>\$ 684,749</u>

Charter Township of Huron

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended December 31, 2005

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 252,706
Federal expenditures reported in the financial statements, not received in the current period - Federal Equitable Sharing Program	381,203
Federal revenue not reported in the financial statements - Help America Vote Act	64,264
Revenue reported in the financial statements, not expended in the current period - Community Development Block Grant	<u>(13,424)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 684,749</u></u>

Charter Township of Huron

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2005

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Huron and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended December 31, 2005 that is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA		Amount
	Number	Description	
Federal Help America Vote Act of 2002	39.011	Voting machines	\$ 64,264

Charter Township of Huron

Schedule of Findings and Questioned Costs Year Ended December 31, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☒ Yes ☐ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
I6.unknown	Federal Equitable Sharing Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Charter Township of Huron

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2005

Section II - Financial Statement Audit Findings

Reference Number	Findings
05-01	<p>Finding Type - Reportable condition</p> <p>Condition - The Charter Township of Huron did not reconcile its general ledger cash balances to the bank statements in a timely manner.</p> <p>Description - In order to maintain adequate internal control, timely bank reconciliations should be prepared. We recommend that timely bank reconciliations be prepared in the future.</p>
05-02	<p>Finding Type - Reportable condition</p> <p>Condition - A budget to actual statement of revenues and expenditures was not provided to the township board for the first quarter of 2005 as required by law.</p> <p>Description - It is our understanding that the board has received this schedule regularly since then. We recommend that the Township prepare the quarterly report as required.</p>

Section III - Federal Program Audit Findings

None

April 7, 2006

To the Supervisor and Township Board
Charter Township of Huron
37290 Huron River Drive
New Boston, MI 48164

Dear Supervisor and Board Members:

We recently completed the audit of the financial statements of the Charter Township of Huron for the year ended December 31, 2005. In addition to the audit report, we offer the following comments and suggestions for your consideration.

Reportable Condition

Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In planning and performing our audit of the financial statements of the Charter Township of Huron, we considered the Township's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal controls. The purpose of an audit is to report on the financial statements, rather than provide assurance on the internal control structure; however, we would consider the following items to be considered reportable conditions under standards established by the American Institute of Certified Public Accountants.

- The Township did not reconcile its general ledger cash balances to the bank statements in a timely manner. By the time of the audit, all bank statements had been reconciled to the general ledger, but, in some cases, the reconciliations were done several months after the statements were received. In order to maintain adequate internal control, the Township needs to reconcile cash balances from the bank statements to the general ledger on a more regular basis. The reconciliation of cash should be prepared monthly, initialed and dated by the preparer to document timeliness. In addition, the reconciliations are not reviewed by anyone after they are prepared. We recommend the reconciliations are reviewed and initialed by a second person after preparation.
- A budget to actual statement of revenues and expenditures was not provided to the Township Board for the first quarter of 2005 as required by the State Budget Act. It is our understanding that the Board has received this schedule regularly since then.

STATE SHARED REVENUE

The State's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion state-wide, which is basically the fiscal year 2004/2005 funding level. As such, revenue sharing payments on an individual community by community basis for fiscal year 2005/2006 are projected to be funded at fiscal year 2004/2005 levels.

In addition, the Governor's proposed 2006/2007 budget did not include any additional funding for local governments. As a result, it is expected that overall revenue sharing payments to communities for fiscal year 2006/2007 will remain stagnant at the 2004/2005 level.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax collections would actually support an increase to total state shared revenue payments. However, for fiscal years 2004/2005, 2005/2006, and 2006/2007, the appropriation in the State's budget for revenue sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. For those three years, revenue sharing distributions are planned to be approximately \$1.6 billion less than amounts provided by statutory formulas. There appears to be no long term solution to the State's structural deficit in its General Fund and as long as this condition exists revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

State shared revenue accounts for approximately 30% of the Township's total General Fund revenue. The table below details state shared revenue for the Township over the past five years broken out by statutory and constitutional portions.

Year	Constitutional	Statutory	Total
2001	\$845,813	\$368,602	\$1,214,415
2002	\$903,278	\$322,036	\$1,225,314
2003	\$905,119	\$232,636	\$1,134,755
2004	\$905,295	\$145,516	\$1,050,811
2005	\$938,033	\$123,881	\$1,061,914
2006 (est.)	\$950,558	\$107,310	\$1,057,868

The authority for the statutory portion of revenue sharing is expiring September 30, 2007. If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$107,310 at risk in its General Fund budget based on 2006 funding levels. We will continue to update the Township as developments occur.

PROPERTY TAXES

As you may recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2006	3.3%
2005	2.3%
2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%

The 2005 inflation factor was used for property taxes levied in the Township's fiscal year ended December 31, 2005. Property taxes are the Township's largest source of General Fund revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the Township is performing long-term financial planning.

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the Township. In general terms, if growth on the Township's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the Township to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the Township's existing property tax base was less than inflation, the Headlee Amendment allowed the Township to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back". However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the Township is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

For the year ended December 31, 2005, the Township's Headlee maximum property tax rate for its operating levy was 0.7850 mills even though Township Charter would allow the Township to levy 1.0000 mill for operations. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated by a recent study published by the Michigan Municipal League (with the participation of the Michigan Townships Association and the Michigan Association of Counties), due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation), the downward pressure on millage rates will continue particularly given the significant gap that now exists between taxable value and state equalized value.

RETIREE HEALTH CARE FUNDING

As mentioned last year, the Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. As we mentioned last year, the promise to provide health care to retirees is very similar to the promise to provide an annual pension check. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The Statement will also require the Township to have an actuarial valuation to define the liability and the liability would need to be disclosed in the financial statements. In addition, the Township's funding status, or the progress it has made in accumulating assets to pay for this liability, would also be disclosed. Lastly, the Township would be required to make an annual contribution equal to the amount that the actuary deems necessary to fund the liability over a 30-year period. As a reminder, the Charter Township of Huron has been setting funds aside for this liability. You currently have approximately \$480,000 in the Retirement Healthcare Fund. While this is a good start toward funding, you may find that the annual contribution will significantly increase as a result of the actuarial valuation. The new pronouncement is effective for the year beginning January 1, 2009.

FUND DEFICITS

As of December 31, 2005, the Road Improvement Fund had a fund deficit of approximately \$5,500. The Road Improvement Fund's deficit should be eliminated over the next few years as the revenue from the construction special assessment is collected. The Police Fund also had a deficit of \$73,000 at the end of the year. The deficit should be eliminated through future tax collections of the police millage as well as regulated spending. Finally, as mentioned last year, the Pinnacle Local Development Finance Authority also has an unchanged fund deficit of approximately \$27,000. The deficit should be eliminated when the Authority begins capturing property taxes.

INTERNAL CONTROL CONSIDERATIONS

During the audit, we noted the following regarding the internal control structure:

- There continues to be a shortage of accounting staff, resulting in an overall lack of segregation of duties. The Financial Administrative Assistant prepares checks, prepares bank reconciliations, and has the ability to post manual journal entries to the general ledger. In order to further improve internal controls, we urge the Township to consider adding staff to this department.
- A reconciliation between the Water & Sewer receivable sub ledger and the general ledger is only performed on an annual basis. Prior to the current administrative staff shortages, this procedure was done on a more frequent basis. Reconciling these accounts on a quarterly basis would help identify and address errors or irregularities in a timely manner.
- As we informed you last year, several of the credit card disbursements we reviewed did not have proper documentation of approvals. This situation has improved since last year as the number of occurrences declined. We recommend that all credit card payments are properly authorized through increased documentation of review.

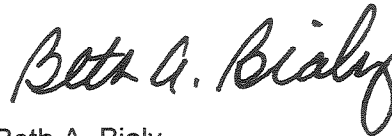
April 7, 2006

As mentioned last year, many of the township's internal control issues are the result of administrative staffing constraints. While we understand that it is difficult to increase staffing in the current economic climate, the addition of administrative staff would create the opportunity to appropriately segregate duties.

We would like to thank the Township Board and all Township personnel for the courtesy and assistance extended to us during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Beth A. Bialy



Brian J. Camiller